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State of Illinois
COMMISSION ON GOVERNMENT
FORECASTING AND ACCOUNTABILITY
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April 2, 2012

MEMORAUNDUM

TO: John J. Cullerton, President of the Senate
Michael J. Madigan, Speaker of the House of Representatives
Christine Radogno, Minority Leader of the Senate
Tom Cross, Minority Leader of the House of Representatives
David Vaught, Governor's Office of Management and Budget
Sharon K. Hahs, President, Northeastern Illinois University

RE: *Report of the Commission's Findings Concerning Northeastern Illinois University's Issuance of \$28.5 million of Series 2012 Certificates of Participation*

The Commission met on Wednesday, March 22, 2012 at 8:30 a.m. to hear and take action on the proposed issuance of \$28.5 million of Certificates of Participation (COPs) by Northeastern Illinois University. The following documentation details background information on the project to be funded, the Certificates to be issued and the University's debt.

BACKGROUND

Law: Under the newly created **State University Certificates of Participation Act** [110 ILCS 73], any State university planning to issue Certificates of Participation (COPs) must appear before the Commission at a public hearing to present the details of the proposal. Upon adoption by a vote of the majority of appointed members, the Commission shall issue a record of findings within 60 days after the request by the university. As part of the Commission’s consideration and findings the Commission shall consider the effect the issuance of a certificate of participation shall have on the State University’s annual debt service and overall fiscal condition. Within the findings shall be a statement in which the Commission makes a recommendation of either (i) “favorably recommended”, (ii) “recommended with concerns”, or (iii) “non-support of issuance”. Findings shall be reported by the Commission within 15 days after the hearing. Upon a finding of “non-support of issuance”, a State University may not proceed with the issuance of the certificate involved in the finding without the approval of the General Assembly through adoption of a joint resolution.

Northeastern Illinois University requested a hearing to be approved for the issuance of Certificates of Participation.

Time Line:

February 10, 2012
March 26, 2012
April 10, 2012

Commission Received Request for Hearing
Last Date for Hearing
Recommendation Required

Northeastern Illinois University Certificates of Participation Series 2012

Certificates of Participation Amount	\$28.5 million
Maturity	through October 1, 2041
Estimated True Interest Cost	4.307% range (not to exceed 6.5%)
Estimated Average Annual Debt Service	\$1.7 million

Terms of COP

Approximately \$28.5 million in Certificates of Participation would be sold by competitive bid with up to a 30-year maturity. The University hopes to sell mid to late April, and pay a True Interest Cost of around 4.307%. The University, as a receiver of State aid, has its ratings tied to the State, and may have a higher interest rate than normal due to the State's financial situation. The Board of Trustees approved the project on February 9, 2012.

Purpose of Projects:

The University has been serving the Latino Community for forty years at an academic center called El Centro. This academic center offered 196 courses in FY 2010, and in the fall of that year 1,006 traditional and non-traditional students took courses. El Centro is currently located in a leased building off campus at 3119 N. Pulaski Road. The new owner of the building wants to expand its own program as does the University for its El Centro programs. The University's lease expires June 30, 2012. Therefore, NEIU has decided to relocate.

The choices available to the University were to lease or build. A Request for Information was advertised, and four proposals were received. Three fit the requirements, which were then analyzed and discussed. The site of 3400 N. Drake/3400 N. Avondale was selected as the new home for El Centro, which is within the University's geographic boundaries. The owner of the site, Jack Novak of Novak Construction, will demolish the buildings currently on the site. The University will purchase the real estate, redevelop the land, and construct a three-story academic building.

The project will be funded by University debt in the form of COPs, and possible support from TIF funds. The project will be administered by the University, not by the Illinois Capital Development Board. The University Board has approved all plans and given authority to the University President. The RFP for an architect was requested, and a University committee is reviewing the 37 responses.

The timing for completion of the project is critical, as the current lease can only be extended through FY 2013. The University would like to move into the new facility during the end of the Spring 2013 semester.

Financing of the Projects:

The Board approved the issuance by competitive bid of COPs at its February 9, 2012 meeting, not to exceed \$28.5 million and with a maximum maturity date of October 1, 2041. The annual rate of the Certificates may not exceed 6.5%.

**Northeastern Illinois University
Certificates of Participation, Series 2012
Estimated Sources and Uses of Funds**

Sources

Bond Principal	\$27,430,000.00
Bond Premium	0.00
Estimated Interest Earnings	9,300.61
Total Sources	\$27,439,300.61

Series 2012

Uses:

Series 2012 Project	\$27,000,000.00
Underwriter's Discount	274,300.00
Costs of Issuance	165,000.00
Balance/Contingency	0.61
Total Uses	\$27,439,300.61

Assumptions:

Type of Issue	COPs
Dated & Delivery Date	5/15/2012
Maturity Range	10/1/2013 - 2041
First Interest Payment	10/1/2012
First Project Draw	5/15/2012
Last Project Draw	3/1/2013
True Interest Cost (TIC)	4.307%
Project Fund Return	0.092%
Total Debt Service	\$50,087,767
Avg. Annual D/S (FY2014-2042)	\$1,694,520

¹ Return on State & Local Government Securities (SLGS) as of 2/3/2012.

Payment of COPs

The debt service on the COPs will be paid from University general operations funds, consisting of State General Revenue Funds and student tuition revenue.

**Northeastern Illinois University
Certificates of Participation, Series 2012
Estimated Annual Debt Service**

Fiscal Year Ending 6/30	Series 2012 Debt Service			
	Principal	Coupon	Interest	Total
2012				
2013			946,699	946,699
2014	375,000	1.250%	1,076,174	1,451,174
2015	410,000	1.400%	1,070,960	1,480,960
2016	435,000	1.600%	1,064,610	1,499,610
2017	455,000	1.750%	1,057,149	1,512,149
2018	480,000	1.900%	1,048,608	1,528,608
2019	505,000	2.150%	1,038,619	1,543,619
2020	530,000	2.500%	1,026,565	1,556,565
2021	565,000	2.750%	1,012,171	1,577,171
2022	595,000	3.000%	995,478	1,590,478
2023	630,000	3.150%	976,630	1,606,630
2024	665,000	3.300%	955,735	1,620,735
2025	705,000	3.400%	932,778	1,637,778
2026	750,000	3.500%	907,668	1,657,668
2027	790,000	3.600%	880,323	1,670,323
2028	840,000	3.700%	850,563	1,690,563
2029	890,000	3.800%	818,113	1,708,113
2030	940,000	3.900%	782,873	1,722,873
2031	995,000	4.000%	744,643	1,739,643
2032	1,055,000	4.100%	703,115	1,758,115
2033	1,120,000	4.200%	657,968	1,777,968
2034	1,185,000	4.600%	607,193	1,792,193
2035	1,260,000	4.600%	550,958	1,810,958
2036	1,340,000	4.600%	491,158	1,831,158
2037	1,420,000	4.600%	427,678	1,847,678
2038	1,505,000	4.650%	360,026	1,865,026
2039	1,600,000	4.650%	287,835	1,887,835
2040	1,695,000	4.650%	211,226	1,906,226
2041	1,795,000	4.650%	130,084	1,925,084
2042	1,900,000	4.650%	44,175	1,944,175
	27,430,000		22,657,767	50,087,767

Current NEIU Debt

The State University Certificates of Participation Act places a limit on Northeastern Illinois University's COPs of a maximum \$5 million annually in debt service. The table on the following page shows the amount of debt service estimated for the 2012 COPs combined with the debt service of the University's Series 2006 and 2010 COPs. The combined COP debt service will max out at \$3.47 million in FY 2026, the final year of the 2006 COPs. Payments will drop from FY 2026-FY 2029 to around \$2.3 million. The FY 2010 COPs will be paid off in FY 2029, and the final years of just the new COPs will range from \$1.7 million- \$1.9 million.

Current COP outstanding principal is \$18.3 million, while current University Facilities System (UFS) Revenue Bonds outstanding principal is \$17.5 million. Total Debt Service for COPs and UFS Bonds will range from \$2.0 million to \$4.8 million (FY 2026) through FY 2042. UFS bonds will be paid off in FY 2036.

University Financials

From the FY 2010 Financial Audit, the University had a net income of \$14.7 million after including both operating and non-operating revenues, and operating and non-operating expenses. FY 2009 had a net income of \$6.2 million.

Northeastern Illinois University
 Certificates of Participation, Series 2012
 Pro Forma Combined University Debt Service & Outstanding Principal Amounts

Fiscal Year Ending	Certificates of Participation							UFS Revenue Bonds ²			Combined University
	Series 2012 ¹		Series 2010		Series 2006		Combined	Principal ⁴	Interest ⁵	Total	
	Principal ³	Interest	Principal ³	Interest ⁵	Principal ³	Interest					
6/30/2012				303,406	635,000	550,288	1,488,694	170,000	755,620	925,620	2,414,314
6/30/2013		946,699	155,000	301,856	660,000	525,594	2,589,149	185,000	744,615	929,615	3,518,764
6/30/2014	375,000	1,076,174	170,000	298,288	685,000	499,106	3,103,568	195,000	732,835	927,835	4,031,403
6/30/2015	410,000	1,070,960	185,000	293,725	715,000	471,106	3,145,791	215,000	723,081	938,081	4,083,873
6/30/2016	435,000	1,064,610	205,000	287,850	740,000	442,006	3,174,466	220,000	715,413	935,413	4,109,879
6/30/2017	455,000	1,057,149	225,000	280,300	775,000	411,222	3,203,671	230,000	707,198	937,198	4,140,868
6/30/2018	480,000	1,048,608	250,000	270,925	805,000	378,131	3,232,664	235,000	698,478	933,478	4,166,141
6/30/2019	505,000	1,038,619	275,000	259,581	840,000	343,175	3,261,375	615,000	682,020	1,297,020	4,558,395
6/30/2020	530,000	1,026,565	300,000	246,269	880,000	306,075	3,288,909	640,000	657,228	1,297,228	4,586,136
6/30/2021	565,000	1,012,171	330,000	230,894	915,000	266,238	3,319,303	665,000	630,961	1,295,961	4,615,264
6/30/2022	595,000	995,478	365,000	213,291	960,000	224,050	3,352,818	690,000	603,350	1,293,350	4,646,168
6/30/2023	630,000	976,630	395,000	193,569	1,005,000	179,838	3,380,036	720,000	574,265	1,294,265	4,674,301
6/30/2024	665,000	955,735	435,000	171,509	1,050,000	132,288	3,409,532	750,000	543,575	1,293,575	4,703,107
6/30/2025	705,000	932,778	470,000	146,894	1,105,000	81,106	3,440,778	780,000	511,250	1,291,250	4,732,028
6/30/2026	750,000	907,668	510,000	119,625	1,155,000	27,431	3,469,724	815,000	477,153	1,292,153	4,761,876
6/30/2027	790,000	880,323	550,000	89,469			2,309,791	850,000	441,143	1,291,143	3,600,934
6/30/2028	840,000	850,563	595,000	56,178			2,341,741	885,000	403,406	1,288,406	3,630,147
6/30/2029	890,000	818,113	645,000	19,350			2,372,463	925,000	364,039	1,289,039	3,661,501
6/30/2030	940,000	782,873					1,722,873	965,000	322,690	1,287,690	3,010,563
6/30/2031	995,000	744,643					1,739,643	1,010,000	279,240	1,289,240	3,028,883
6/30/2032	1,055,000	703,115					1,758,115	1,055,000	233,810	1,288,810	3,046,925
6/30/2033	1,120,000	657,968					1,777,968	1,100,000	186,125	1,286,125	3,064,093
6/30/2034	1,185,000	607,193					1,792,193	1,150,000	136,063	1,286,063	3,078,255
6/30/2035	1,260,000	550,958					1,810,958	1,200,000	83,475	1,283,475	3,094,433
6/30/2036	1,340,000	491,158					1,831,158	1,255,000	28,238	1,283,238	3,114,395
6/30/2037	1,420,000	427,678					1,847,678				1,847,678
6/30/2038	1,505,000	360,026					1,865,026				1,865,026
6/30/2039	1,600,000	287,835					1,887,835				1,887,835
6/30/2040	1,695,000	211,226					1,906,226				1,906,226
6/30/2041	1,795,000	130,084					1,925,084				1,925,084
6/30/2042	1,900,000	44,175					1,944,175				1,944,175
	27,430,000	22,657,767	6,060,000	3,782,978			77,693,399	17,520,000	12,235,268	29,755,268	107,448,666
Pro Forma Outstanding Principal:											
	\$27,430,000		6,060,000		12,290,000		\$45,780,000	17,350,000			\$63,130,000

¹ Estimated, subject to change.

² Outstanding University Facilities System Revenue Bonds include the Series 2004 Bonds and the Series 1973 Bonds.

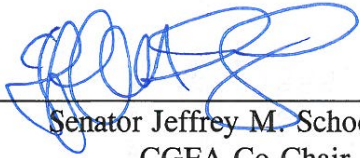
³ Principal comes due on the preceding October 1.

⁴ Principal comes due on the preceding July 1.


⁵ Gross of interest subsidies.

After carefully reviewing the information submitted by Northeastern Illinois University to issue \$28.5 million in Certificates of Participation, the Commission voted on March 22, 2012, by a vote of 7-0-0, to favorably recommend the issuance of the COPs. A copy of the motion and vote tally appears on the following page.

<u>Recommendation:</u>	Favorably Recommended
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Senator Jeffrey M. Schoenberg
CGFA Co-Chair



Patricia R. Bellock
CGFA Co-Chair

DRL:lk
S320

MOTION Favorably Recommended
Proposed Northeastern Illinois University Issuance of
Certificates of Participation

Meeting Date: Thursday, March 22, 2012 – 8:30 a.m.

<i>Commission Member</i>	<i>YES</i>	<i>NO</i>
Representative Patricia Bellock (R)	✓	
Senator Michael Frerichs (D)	✓	
<i>Representative Kevin McCarthy (D) RESIGNED</i>	VACANT	
Senator Matt Murphy (R)		
Representative Elaine Nekritz (D)		
Representative Raymond Poe (R)	✓	
Representative Al Riley (D)		
Senator Suzi Schmidt (R)	✓	
Senator Jeffrey Schoenberg (D)	✓	
Senator David Syverson (R)	✓	
Senator Donne Trotter (D)	✓	
Representative Michael Tryon (R)		
<i>CGFA VOTE</i>	7	

MOTION: *Bellock* SECOND MOTION: *Schmidt*